



**SUDBURY
CONTACT
MINES,
LIMITED**

Annual Report 1977

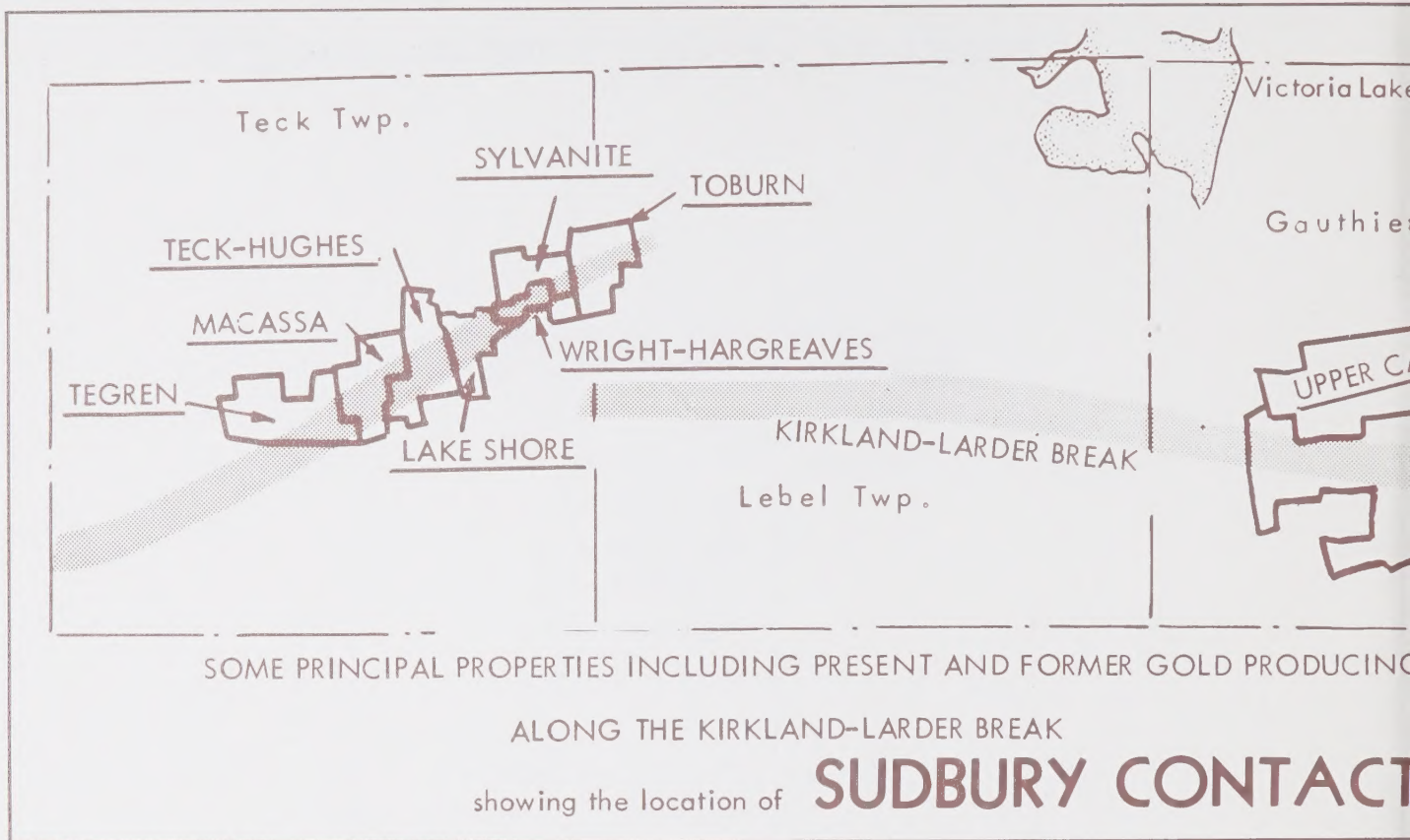


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SUDBURY CONTACT MINES, LIMITED

Executive and Head Office	Suite 300, 365 Bay Street Toronto, Ontario, Canada M5H 2V1
Directors	E. L. BAXTER MAURY DRUTZ MILTON KLYMAN JOHN R. MURRAY PAUL PENNA ERNEST SHERIFF
Officers	PAUL PENNA, <i>President</i> MIKEY DRUTZ, <i>Secretary-Treasurer</i>
Consulting Geologist	W. A. HUBACHECK, B.Sc., P.Eng.
Transfer Agent and Registrar	Guaranty Trust Company of Canada Toronto, Ontario
Auditors	Starkman, Kraft, Rothman, Berger & Grill, Chartered Accountants, Toronto, Ontario
Solicitors	Shibley, Righton & McCutcheon Toronto, Ontario
Shares Listed	Toronto Stock Exchange Toronto, Ontario
Annual Meeting	June 23, 1978, 11:00 a.m. (Toronto Time), Alberta Room, Royal York Hotel, 100 Front Street West, Toronto, Canada



Directors' Report to the Shareholders

The Directors present the audited financial statements of the Company for the year ended December 31, 1977 and also the following general review of activities during the year and the subsequent period to date.

The steady and sustained uptrend in gold prices during the past year resulted in the decision in April, 1978 to resume exploration on your Company's property in the Kirkland-Larder Lake area, Ontario. The principal emphasis of the new program will be the deep drill testing of the Raven River Mine shaft area, about 2,500 feet east of the Laguerre Gold Mine property where the 1975-1976 program was concentrated.

The Raven River Mine, which is developed by a shaft and seven levels down to a depth of 700 feet, was one of the early discoveries in the Larder Lake area and was then known as the Harris-Maxwell Mine. In 1937 Raven River Gold Mines Limited was formed to take over and develop the Harris-Maxwell property and during the period from December, 1937 to the latter part of 1938, a total of 40,514 tons grading an average of 0.186 ounce of gold per ton was produced.

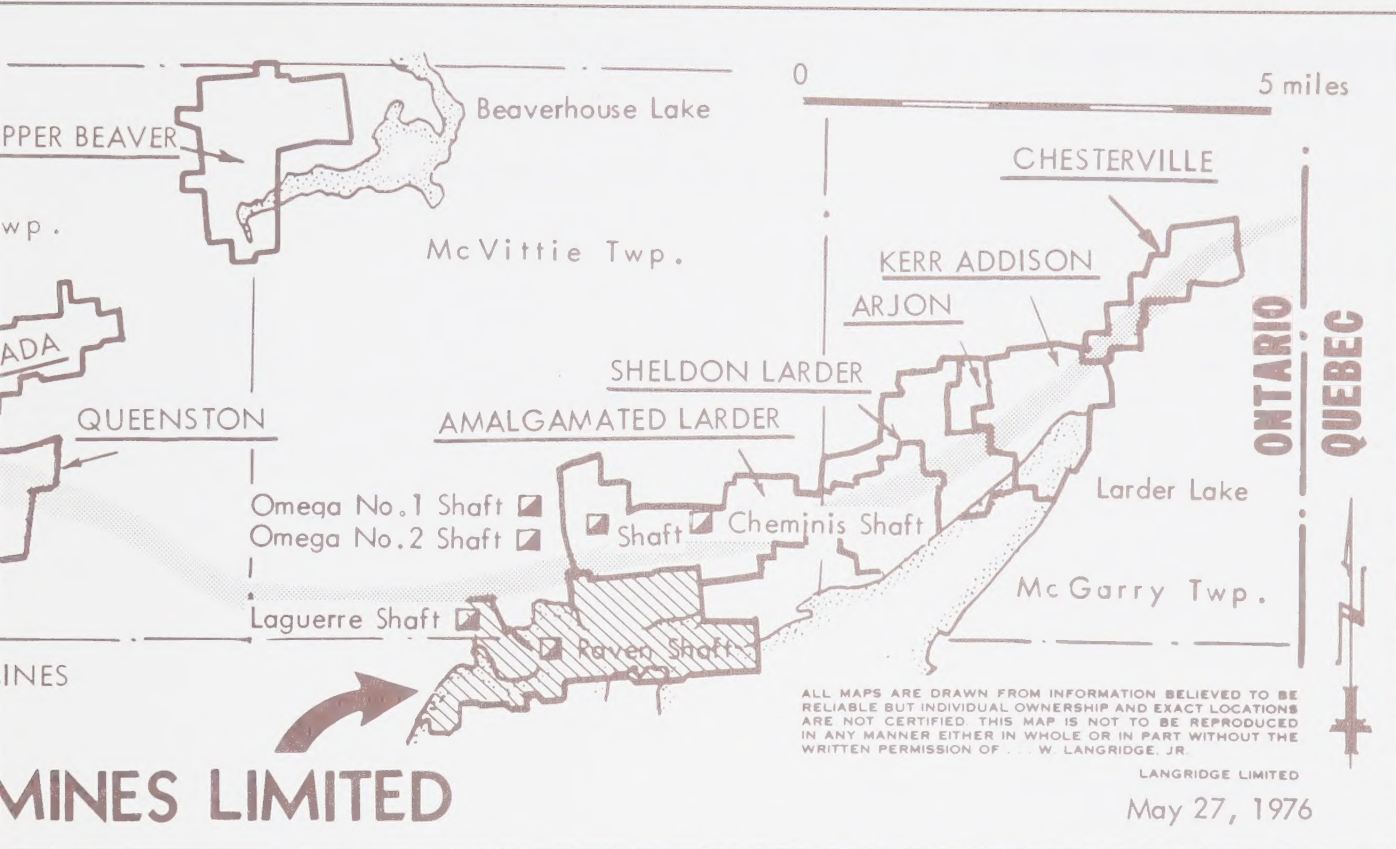
Previous mining indicated seven gold-bearing quartz veins above the 700 foot level in an altered

syenite plug, about 350 feet by 180 feet in size. Most of the ore was obtained by mining the main quartz vein within two altered syenite intrusive bodies. It is planned to drill a minimum of two holes to a vertical depth of approximately 1,000 feet to intersect the gold-bearing syenite plug well below the old mine workings which bottomed at 670 feet.

It is also planned to test another area of interest known as the Knutson discovery which was trenched in 1941. The Knutson property is located 800 feet south of the Laguerre shaft and 1,800 feet west of the Raven River shaft. The showing consists of two north striking forked gold-bearing quartz vein systems in syenite. Samples from five trenches along a length of 80 feet averaged 0.25 ounce of gold per ton over a width of 5.9 feet. The second vein, about 75 feet to the east, was sampled in nine trenches along a length of 160 feet averaging 0.42 ounce per ton over a width of 5.4 feet.

A minimum of three holes for a total of 500 feet of drilling is planned for the Knutson property during the current season.

This assemblage of several gold properties totalling 51 claims and covering an area in excess of 2,000 acres, extends for a distance of nearly four miles immediately south of the east-west striking



Kirkland-Larder Break with which the producing mines in the area are associated. The property is located about five miles west of the Kerr Addison Gold Mine, the leading producer in the area.

Interest in the area has been sustained at a high level for several years. One of the major exploration programs is that being conducted by Canadian Nickel Co., a subsidiary of Inco Limited, which has optioned a total of 133 claims in Gauthier and Lebel Townships from Queenston Gold Mines Limited. Under the terms of this agreement, Canadian Nickel can earn a 65% interest by the expenditure of \$2,750,000 by December 31, 1983. It is reported that a total of \$681,610 has been expended by Canadian Nickel in the past two years involving some 11,295 feet of diamond drilling on two zones.

Queenston Gold Mines Limited on its own account holds several properties in the area some of which are scheduled for exploration during the current year. This includes the former producing Upper Canada mine property in Gauthier Township, which operated from 1938 to 1971 before closing down due to the then prevailing low gold prices. This mine produced 4.7 million tons of ore averaging 0.32 ounce of gold per ton.

The 51-claim property held by your Company

under working option covers a number of known gold occurrences, two of which are developed by shafts and underground workings. The earlier work was carried out at a time when gold was worth \$35 per ounce. Current gold prices provide an appreciably different economic background. Cumulative expenditures on the Kirkland-Larder Lake area property to date total in excess of \$400,000. Under the terms of the working option which extends to July 17, 1980, the option can be extended for a further three years if the Company spends a total of \$500,000 on exploration and development. If production is reached, the claims will be transferred to the Company subject to a 15% royalty payable to the optionor.

Your Company's copper property consisting of 35 claims in Montgomery Township, Northwestern Ontario, is retained. Diamond drilling during 1970-71 indicated several shoots containing a total of 184,500 tons averaging 2.27% copper.

On behalf of the Board of Directors,

Paul Penna

May 25, 1978

President

BALANCE SHEET

AS AT DECEMBER 31, 1977

ASSETS

CURRENT

Cash
Marketable securities, at lower of cost or market (Market value 1977 — \$466,071; 1976 — \$186,707)
Loans receivable
Prepaid expenses and sundry receivable

FIXED, at cost

Equipment
Office furniture
Automotive equipment

Less: Accumulated depreciation

Larder Lake buildings and equipment

MINING CLAIMS AND PROPERTIES, at cost (Note 2)

DEFERRED EXPLORATION EXPENDITURES, per statement attached

OTHER

Shares of other mining companies, at cost, (no quoted market value)

LIABILITIES

CURRENT

Accounts payable and accrued charges
Loan payable — 10%

SHAREHOLDERS' EQUITY

CAPITAL

AUTHORIZED

9,000,000 Shares without par value

ISSUED AND FULLY PAID

6,586,250 Shares

DEFICIT

See accompanying notes to financial statements.

SUDBURY CONTACT MINES, LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Sudbury Contact Mines, Limited as at December 31, 1977 and the statements of administrative expenses, revenue and deficit, deferred exploration expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Chartered Accountants

Toronto, Ontario
February 27, 1978

1977	1976
\$ 559	\$ 430
77,575	77,575
—	1,015
—	13,357
78,134	92,377
21,269	21,269
1,753	1,753
—	5,184
23,022	28,206
18,089	23,273
4,933	4,933
44,916	44,916
49,849	49,849
20,300	20,300
477,086	476,330
9,602	9,602
\$ 634,971	\$ 648,458

\$ 37,020	\$ 21,874
178,000	156,000
215,020	177,874

2,573,500	2,573,500
2,153,549	2,102,916
419,951	470,584
\$ 634,971	\$ 648,458

Approved on behalf of the Board:

PAUL PENNA, Director.

MILTON KLYMAN, Director.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF ADMINISTRATIVE EXPENSES, REVENUE AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1977

	1977	1976
EXPENSES		
Administration and office services	\$ 9,600	\$ 9,600
Legal and audit	3,065	7,162
Bank charges and interest	16,449	14,608
Shareholders' information	5,637	5,514
Miscellaneous	11,833	7,814
Transfer agent fees	1,999	2,129
Directors' fees	900	1,000
Licences, taxes and fees	1,150	1,175
	50,633	49,002
DEFICIT, beginning of year	2,102,916	1,841,611
	2,153,549	1,890,613
Add: Loss on disposal of fixed assets	—	39,927
Mining claims and properties allowed to lapse:		
Hebecourt and Duparquet Townships, Quebec	—	4,000
Cardinal Township, Quebec	—	2,500
Marmora Township, Ontario	—	1
Exploration expenditures on mining claims and properties allowed to lapse	—	165,875
DEFICIT, end of year	<u>\$2,153,549</u>	<u>\$2,102,916</u>

See accompanying notes to financial statements.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 1977

	1977	1976
EXPENDITURES DURING YEAR		
Larder Lake Mining Division, Ontario		
Underground development	\$ —	\$ 22,778
Shutdown expenses	—	13,233
Diamond drilling	—	12,625
Consulting fees	—	6,833
General field expenses	201	5,680
Assaying	—	2,439
	<u>201</u>	<u>63,588</u>
Other Properties		
Licences, fees and taxes	555	556
EXPLORATION EXPENDITURES FOR THE YEAR	756	64,144
DEFERRED EXPLORATION EXPENDITURES — beginning of year	476,330	578,061
	<u>477,086</u>	<u>642,205</u>
Less: Written off to deficit	—	165,875
DEFERRED EXPLORATION EXPENDITURES — end of year	<u>\$ 477,086</u>	<u>\$ 476,330</u>

SUMMARY OF DEFERRED EXPLORATION EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 1977

	1977	1976
Larder Lake Mining Division, Ontario	\$ 308,154	\$ 307,953
Montgomery Township, Ontario	168,300	167,815
Thunder Bay Area, Ontario	632	562
	<u>\$ 477,086</u>	<u>\$ 476,330</u>

See accompanying notes to financial statements.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1977

	1977	1976
SOURCES OF WORKING CAPITAL		
Proceeds on sale of equipment	\$ —	\$ 23,819
APPLICATIONS OF WORKING CAPITAL		
Administrative expenses	50,633	49,000
Exploration expenditures	756	64,144
Acquisition of mining equipment and buildings	—	11,744
	<u>51,389</u>	<u>124,888</u>
DECREASE IN WORKING CAPITAL	(51,389)	(101,069)
WORKING CAPITAL DEFICIENCY, beginning of year	<u>(85,497)</u>	<u>(15,572)</u>
WORKING CAPITAL DEFICIENCY, end of year	<u>\$ (136,886)</u>	<u>\$ (85,497)</u>

See accompanying notes to financial statements.

SUDBURY CONTACT MINES, LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1977

Note 1. ACCOUNTING POLICY

The company follows the policy of deferring exploration expenditures until such time as the properties commence production. Properties determined to be without value are written off to deficit with related deferred exploration thereon. The amounts shown for deferred exploration expenditures represent costs to date less amounts written off and are not intended to reflect present or future values.

Note 2. MINING CLAIMS AND PROPERTIES

The company has acquired a working option on 51 claims in the Larder Lake Mining Division, Ontario to July 17, 1980. If the company spends \$500,000 on exploration and development, the option will be extended for 3 more years. If production is reached, the claims will be transferred to the company subject to a 15% royalty payable to the optionor.

Note 3. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers for the year ended December 31, 1977 amounted to \$900.00.

